



## MEMORANDUM

TO: Audit Committee  
FROM: Thomas Fil, Finance Director  
SUBJECT: City of Belmont Financial Policies  
DATE: September 29, 2017

The City of Belmont has a long history of being a best practice city and, as such, incorporates Best Practices and Advisories issued annually by the Government Finance Officers Association (GFOA) and from other sources. GFOA Best Practices and Advisories are written as a guide, and identify specific policies and procedures contributing to improved government management. They aim to promote and facilitate positive change rather than to codify current accepted practices.

Staff has prepared the attached Appendix, compiling the entire list of City of Belmont Best Practices and Advisories. These policies are used by staff to identify enhanced techniques and provide information about effective strategies when these topics arise. They are not prescriptive, but are formative.

As part of the City's annual update, the Best Practices and Advisories will include new or modified recommended practices as they apply to the City. Staff would like to draw the Audit Committee's attention to those additions or modifications, which are highlighted in the attached Appendix. While there are many updates in this annual review, none require any special attention or are of concern to staff. Should the Audit Committee wish to read any of these policies in their entirety, they can be referenced at [www.gfoa.org/best-practices](http://www.gfoa.org/best-practices).

By receiving and accepting this report, the Audit Committee recognizes the importance of Best Practices in the design, operation and administration of the City's internal control system, and in doing so, discharges its fiduciary duties and responsibilities. It is recommended the Audit Committee direct the Chair to transmit this action to the City Council as part of its annual report on the audit to City Council. By doing so, the Committee is recommending that the financial policies be accepted by City Council.

Comments and suggestions for additional areas of public finance that could be better served by the development of policies are encouraged.

Feel free to contact me, should you have any questions.

## **APPENDIX**

## City of Belmont Best Practices and Advisories Listing

### **Accounting, Auditing, and Financial Reporting**

- Sustainable Funding Practices for Defined Benefit Pensions and Other Postemployment Benefits (OPEB) – (2016)
- Enhancing Tax Abatement Transparency – (2016)
- Ensuring Other Postemployment Benefits (OPEB) Sustainability – (2016)
- Framework for Internal Control: The Control Environment – (2016)
- Establishing a Comprehensive Framework for Internal Control – (2015)
- Framework for Entity-wide Grants Internal Control – (2015)
- Establishing a Grants Administration Oversight Committee – (2015)
- Additional Supplementary Information for Departmental Reports – (2015)
- Coordinating the Work of Multiple Auditors – (2015)
- Implementing Office of Management and Budget (OMB) Uniform Guidance – (2014)
- Taking Advantage of Indirect Cost Allocations – (2014)
- Administering Grants Effectively – (2013)
- Pricing Internal Services – (2013)
- Using Fund Accounting Effectively – (2012)
- Demonstrating Legal Compliance When Budgetary Special Revenue Funds Are Not Reported as Special Revenue Funds for the Purposes of GAAP Financial Reporting – (2012)
- Practical Steps to Avoid, Limit, or Eliminate Internal Control Deficiencies Identified in an Audit – (2011)
- Presenting Official Financial Documents on Your Government's Website – (2009)
- Audit Committees – (2009)
- Getting Management Involved with Internal Control – (2008)
- Improving the Timeliness of Financial Reports – (2008)
- Documenting Costs to Support Claims For Disaster Recovery Assistance – (2008)
- Mitigating the Negative Effects of Statement on Auditing Standards No. 112 – (2007)
- Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices – (2007)
- Determining the Estimated Useful Lives of Capital Assets – (2007)
- Documenting Accounting Policies and Procedures – (2007)
- Establishing Capitalization Thresholds for Capital Assets – (2006)
- Establishing an Internal Audit Function – (2006)
- Conforming to Governmental Accounting, Auditing, and Financial Reporting Standards – (2006)
- Preparing Popular Reports – (2006)
- Periodic Inventories of Tangible Capital Assets – (2006)
- Using the Comprehensive Annual Financial Report (CAFR) to Meet SEC Requirements for Periodic Disclosure – (2006)

- Maintaining Control over Items that Are Not Capitalized – (2005)
- Points to Consider when Deciding Whether to Use the Modified Approach for Recording Infrastructure Assets – (2005)
- Including Management’s Discussion and Analysis in Departmental Reports – (2004)
- Audit Procurement – (2002)
- Measuring the Full Cost of Government Service – (2002)
- Locating Budget-to-Actual Comparisons Within the Basic Financial Statements – (2000)
- Basis of Accounting versus the Budgetary Basis – (1999)
- Applying Full-Cost Accounting to Municipal Solid Waste Management Activities – (1998)
- Presenting Securities Lending Transactions in Financial Statements – (1998)

## **Budgeting and Financial Planning**

- Accurately Displaying Total Expenditures in Budget Presentations – (2016)
- Incorporating the Capital Budget into the Budget Document – (2016)
- Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund – (2015)
- Adopting Financial Policies – (2015)
- The Impact of Capital Projects on the Operating Budget – (2015)
- Strategies for Managing Health-Care Costs – (2014)
- Establishing Government Charges and Fees – (2014)
- Making the Budget Document Easier to Understand – (2014)
- Financial Forecasting in the Budget Preparation Process – (2014)
- Achieving a Structurally Balanced Budget – (2012)
- Departmental Presentation in the Operating Budget Document – (2012)
- Determining the Appropriate Levels of Working Capital in Enterprise Funds – (2011)
- Replenishing General Fund Balance – (2011)
- Inflationary Indices in Budgeting – (2010)
- Effective Budgeting of Salary and Wages – (2010)
- Creating a Comprehensive Risk Management Program – (2009)
- Public Participation in Planning, Budgeting, and Performance Management – (2009)
- Presenting the Capital Budget in the Operating Budget Document – (2008)
- Business Preparedness and Continuity Guidelines – (2008)
- Long-Term Financial Planning – (2008)
- Alternative Service Delivery: Shared Services – (2007)
- Performance Management for Decision Making – (2007)
- Budgeting for Results and Outcomes – (2007)
- Incorporating a Capital Project Budget in the Budget Process – (2007)
- Examining the Benefits of Managed Competition – (2006)
- The Statistical/Supplemental Section of the Budget Document – (2005)
- Establishment of Strategic Plans – (2005)
- Adopting Financial Policies – (2001)
- Recommended Budget Practices from the National Advisory Council on State and Local Budgeting – (1998)
- Providing a Concise Summary of the Budget – (1996)

## **Economic Development and Capital Planning**

- Assessing Risk and Uncertainty in Economic Development Projects – (2015)
- Monitoring Economic Development Performance – (2015)
- Public-Private Partnerships (P3) – (2015)
- Evaluating and Managing Economic Development Incentives – (2014)
- Communicating Capital Improvement Strategies – (2014)
- Creation, Implementation, and Evaluation of Tax Increment Financing – (2014)
- Evaluating Data and Financial Assumptions in Development Proposals – (2013)
- Capital Planning Policies – (2013)
- Performance Criteria as a Part of Development Agreements – (2013)
- Role of the Finance Director in Capital Asset Management – (2011)
- The Role of the Finance Officer in Economic Development – (2011)
- Technology in Capital Planning and Management – (2011)
- Coordinating Economic Development and Capital Planning – (2011)
- Environmentally Responsible Practices in Capital Planning – (2010)
- Asset Maintenance and Replacement – (2010)
- The Finance Officer's Role in the Privatization of Public Assets – (2009)
- Developing an Economic Development Incentive Policy – (2008)
- Disaster Preparedness – (2008)
- Public-Private Partnerships for Economic Development – (2008)
- The Role of Master Plans in Capital Improvement Planning – (2008)
- Capital Project Monitoring and Reporting – (2007)
- Multi-Year Capital Planning – (2006)

## **Debt Management**

- Refunding Municipal Bonds – (2017 – New)
- Understanding Your Continuing Disclosure Responsibilities – (2015)
- Using Credit Rating Agencies – (2015)
- Using Technology for Disclosure – (2015)
- Using Debt-Related Derivatives and Developing a Derivatives Policy – (2015)
- Investment of Bond Proceeds – (2014)
- Selecting and Managing the Method of Sale of Bonds – (2014)
- Selecting and Managing Municipal Advisors – (2014)
- Selecting and Managing Underwriters for Negotiated Bond Sales – (2014)
- Understanding Bank Loans – (2013)
- Costs of Issuance Incurred in a Publicly Offered Debt Transaction – (2013)
- Debt Issuance Transaction Costs – (2013)
- Issuing Taxable Debt – (2012)
- Debt Management Policy – (2012)
- Disclosures of Pension Funding Obligations in Official Statements – (2012)
- Managing Build America and other Direct Subsidy Bonds – (2012)
- Expenses Charged by Underwriters in Negotiated Sales – (2012)
- Analyzing and Issuing Refunding Bonds – (2011)
- Maintaining an Investor Relations Program – (2010)
- Pricing Bonds in a Negotiated Sale – (2010)
- Using a Website for Disclosure – (2010)
- Using Variable Rate Debt Instruments – (2010)
- Issuer's Role in Selection of Underwriter's Counsel – (2009)
- Business Preparedness and Continuity Guidelines – (2008)
- Selecting Bond Counsel – (2008)
- OPEB Bonds: Considerable Caution Needed – (2007)
- The Issuer's Role in Secondary Market Securitization of Tax-Exempt Obligations – (2005)
- Underwriter Disclaimers in Official Statements – (2000)

## **Pension and Benefit Administration**

### **• Defined Contribution Retirement Plan Design – (2017 – New)**

- Other Postemployment Benefits (OPEB) Bonds – (2016)
- Defined Contribution Plan Fiduciary Responsibility – (2015)
- Informing and Educating Employees about Retirement Benefit Adequacy – (2015)
- The Finance Officer's Role in Collective Bargaining – (2015)
- Pension Obligation Bonds – (2015)
- Investment Fee Policies for Retirement Systems – (2014)
- Enhancing Reliability of Actuarial Valuations for Pension Plans – (2015)
- Actuarial Audits – (2014)
- Complying with the Affordable Care Act – (2014)
- Developing a Process for Complying with the Patient Protection and Affordable Care Act (Updated, 2014)
- Core Elements of a Funding Policy – (2013)
- The Role of the Actuarial Valuation Report in Plan Funding – (2013)
- Procuring Actuarial Services – (2012)
- Monitoring and Disclosure of Fees for Defined Contribution Plans – (2012)
- Ensuring OPEB Sustainability – (2012)
- OPEB Governance and Administration – (2012)
- Funding Defined Benefit Pensions – (2012)
- Establishing and Administering an OPEB Trust – (2012)
- Sustainable Pension Benefit Tiers – (2011)
- Developing a Review Process for Implementing National Health-Care Reform – (2011)
- Commission Recapture Programs – (2010)
- Responsible Management and Design Practices for Defined Benefit Pension Plans – (2010)
- Preparing an Effective Summary Plan Description – (2010)
- Governance of Public Employee Postretirement Benefits Systems – (2010)
- Asset Allocation for Defined Contribution Plans – (2009)
- Participant Education – Guidance for Defined Contribution Plans – (2009)
- Public Employee Retirement System Investments – (2009)
- Sustainable Funding Practices of Defined Benefit Pension Plans – (2009)
- Asset Allocation for Defined Benefit Plans – (2009)
- Communicating Health-Care Benefits to Employees and Retirees – (2009)
- Strategic Health-Care Plan Design – (2009)
- Using Alternative Investments for Public Employee Retirement Systems and OPEB Established Trusts – (2008)
- Considerations for Prefunding OPEB Obligations – (2008)
- Design Elements of Defined Benefit Retirement Plans – (2008)
- Design Elements of Defined Contribution Plans as the Primary Retirement Plan – (2008)
- Design Elements of Hybrid Retirement Plans – (2008)
- Developing a Policy for Retirement Plan Design Options – (2007)



- OPEB Bonds: Considerable Caution Needed – (2007)
- Developing a Policy to Participate in Securities Litigation Class Actions – (2006)
- Deferred Retirement Option Plans – (2005)
- Evaluating the Use of Early Retirement Incentives – (2004)
- Investment Policies for Deferred Compensation Plans – (2004)
- Retirement and Financial Planning Services – (2003)
- Pension Investment Policies – (2003)
- Understanding Pension Fund Risk – (2001)
- Brokerage Window Options for Defined Contribution Retirement Plans – (2001)
- Selecting Investment Advisers for Pension Fund Assets – (2000)

## **Treasury and Investment Management**

- Procurement of Financial Services – (2017 - *New*)
- Investment Program for Public Funds – (2017 – *New*)
- Electronic Payments – (2017 – *New*)
- Using Benchmarks to Assess Portfolio Risk and Return – (2015)
- Using Mutual Funds for Cash Management Purposes – (2015)
- Due Diligence on Bank and Treasury Management Providers – (2014)
- Electronic Payment and Collection Systems – (2014)
- Government Relationships with Securities Dealers – (2012)
- Bank Account Fraud Prevention – (2012)
- Presenting Official Financial Documents Online – (2012)
- Purchasing Card Programs – (2011)
- Cash Flow Forecasts in Treasury Operations – (2011)
- Creating an Investment Policy – (2010)
- Establishing a Policy for Repurchase Agreements – (2010)
- Ensuring the Safety of Reverse Repurchase Agreements – (2010)
- Securities Lending Programs for Non-Pension Fund Portfolios – (2010)
- Using Safekeeping and Third-Party Custodian Services – (2010)
- Use of Derivatives and Structured Investments by State and Local Governments for Non-Pension Fund Investment Portfolios – (2010)
- Procurement of Banking Services – (2010)
- Using Remote Deposit Capture – (2010)
- Using Commercial Paper in Investment Portfolios – (2009)
- Accepting Payment Cards and Selection of Payment Card Service Providers – (2009)
- Managing Market Risk in Investment Portfolios – (2009)
- Selection and Review of Investment Advisors – (2009)
- Use of Lockbox Services – (2009)
- Local Government Investment Pools – (2008)
- Mark-to-Market Reporting for Public Investment Portfolios – (2008)
- Adopting Electronic Payment Systems – (2008)
- Payment Consolidation Services – (2007)
- Collateralizing Public Deposits – (2007)
- Diversifying the Investment Portfolio – (2007)
- Settlement Procedures for Debt Service Payments – (2007)
- Using Electronic Signatures – (2006)
- Monitoring the Value of Securities in Repurchase Agreements – (2006)

**Other**

- City of Belmont Investment Policy (2016)
- City of Belmont Purchasing Policy, including Purchasing Control System Ordinance (2015)